

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Seattle District Office
1111 Third Ave, Suite 605
Seattle, WA 98101
(206) 398-8099 / FAX: (206) 398-8090



November 10, 2005

Ardeh Bolin
AFGE Local 3937 Treasurer
11508 Dayton Ave N
Seattle, WA 98133-8624

Re: 2

Dear Ms. Bolin:

This office has recently completed an audit of AFGE Local 3937 under the Compliance Audit Program (CAP) to determine your organization's compliance with the provisions of the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA). As discussed during the exit interview with you on 10/11/05, the following problems were disclosed during the CAP. The matters listed below are not an exhaustive list of all possible problem areas since the audit conducted was limited in scope.

The following is a list of issues discovered on the LM-2 for 2004:

Item 15 should be answered "Yes" and explained in item 75. The reason it should be answered "yes" is because, according to E-Board minutes for 9/9/04, ~~AC~~ was paid \$500 in 1999 that he was not entitled. This appears to have been discovered in 2004.

Items 56, 60, and 73 will likely change due to changes in Schedule 9. Likewise, the schedules that the listed amounts come from (9, 13, and 15) will also change.

Schedule 7—The items in schedule 7 that were purchased by an officer who was later reimbursed must be explained in item 75.

Schedule 9—Local 3937 failed to include some reimbursements to officers and employees in the amounts reported in Schedule 9 (All Officers and Disbursements to Officers) and Schedule 10 (Disbursements to Employees). Such payments appear to have been erroneously reported in Schedules 13 (Office and Administrative Expenses) and Schedule 15 (Other Expenses).

Direct disbursements to officers and employees for reimbursement of expenses incurred while conducting union business must be reported in Column F of Schedules 9 and 10 (Disbursements for Official Business). In addition, indirect disbursements made to another party (such as a credit card company) for business expenses incurred by union personnel must also be reported in Column F of Schedules 9 and 10. However, indirect disbursements for business expenses incurred for transportation by a public carrier (such as an airline) and for temporary lodging expenses incurred while traveling on union business must be reported in Schedule 13 (Office and Administrative Expenses). Any direct or indirect disbursements to

union personnel for expenses not necessary for conducting union business must be reported in Column G of Schedules 9 and 10 (Other Disbursements). Refer to the instruction booklet for general guidance on schedule 9. Keep in mind that lost-time (or leave without pay) wages for union officers should be listed in column D. Recruitment bonuses should be listed in column G. If payment from a union account was made to an officer's personal credit card, it needs to be listed in schedule 9 in the proper column.

Schedule 10—Refer to the instruction booklet for general guidance on schedule 10. The instructions for schedule 10 are similar to schedule 9. Ensure that recruitment bonuses and leave without pay wages are reported in the proper columns.

Schedule 13—It appears that amounts listed in schedule 13 are incorrect. Specifically, line 1 (described as Direct Pymt – Hotel, Credit Card) is incorrect. As discussed during the exit interview, payments made to *personal* credit cards for expenses related to travel for official business need to be listed in schedule 9.

Schedule 15—The amounts in schedule 15 may change if the travel amounts should be listed next to an officer or employee in schedule 9 or 10.

As agreed during the exit interview you have submitted an amended LM-2 for 2004 correcting the known deficiencies listed above. During the exit interview you also agreed to report all disbursements to officers and employees in the proper schedules on future LM reports.

Title II of the LMRDA establishes certain reporting and record keeping requirements. Section 206 requires, among other things, that adequate records be maintained for at least five years by which each receipt and disbursement of funds, as well as all account balances can be verified, explained, and clarified. As a general rule, all records used or received in the course of union business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts, and vouchers, but also adequate additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods or services received, and the identity of the recipients of the goods or services.

The following record keeping violations were revealed during the audit of Local 3937's 2004 records:

4 were voided but not retained and their absence was not explained.

Union officers and employees failed to retain adequate documentation for reimbursed expenses. The date, amount, and business purpose of every expense must be recorded on at least one union record. As discussed during the exit interview, receipts were not maintained to verify payments made to officers who paid recruiter and/or sign-up bonuses to members.

With respect to documentation retained in support of specific disbursements (including those in payment of credit card charges), the record retention requirement includes not only the retention of original bills, invoices, receipts, and vouchers, but also additional documentation, if necessary, showing the nature of

the union business requiring the disbursement, the goods or services received, and all the recipients of the goods or services. In most instances, this documentation requirement can be most easily satisfied with a sufficiently descriptive receipt. If a receipt is not sufficiently descriptive, a note can be written on it providing the additional information. An exception may be made only in those cases where 1) other equally descriptive documentation has been maintained, and 2) there is evidence of actual oversight and control over disbursements.

I want to extend my personal appreciation for your and your entire staff's cooperation and courtesy during this compliance audit. If we can be of any assistance in the future, please do not hesitate to call.

Sincerely,



Michael Duvall
District Director

cc: Stephen Kofahl, President